

through existing and planned cable systems. However, indirect cable links to such areas are increasingly available as highly developed intra-regional networks expand.⁶³ The Study, out of an abundance of caution, analyzes statistical data only for those facilities that will be operational within the next two years,⁶⁴ but it is important to recognize that projects slated for completion after 1996 will have a significant impact on intermodal competition in the foreseeable future. One of the most dramatic of these developments emerged just weeks ago, when AT&T announced plans to construct a 20,000-mile fiber-optic cable system encircling Africa by early 1998.⁶⁵

In these regions — which today account for less than 10% of total trans-oceanic traffic — separate satellite systems play the largest role in establishing a competitive environment. By the end of 1996, the seven satellites operated by COMSAT's rivals over the Atlantic and the six over the Pacific will have capacity well in excess of COMSAT's current levels of service to these regions — even under the 1,250 64-kbps equivalent circuit limit for PSTN services now in effect.⁶⁶

⁶³ For details, see Study at 35 & n.71, 53 & n.94. The cable system capacity installed within Europe significantly exceeds the cable capacity across the Atlantic, and similar regional networks exist in the East Asia/Oceania and Caribbean regions. One noteworthy example of a regional system now "in the pipeline" involves nine telecommunications organizations building a new Asia Pacific Cable Network to link Singapore, Indonesia, Malaysia, Thailand, Hong Kong, the Philippines, Taiwan, Japan, and South Korea. The system will have a potential capacity equivalent to 660,000 voice circuits; it will connect to other fiber optic systems in the region and provide fiber-to-fiber backup. Construction of the \$610 million system should be completed by 1996. See *id.* at n.71.

⁶⁴ Because of the long lead time required to construct trans-oceanic facilities, it is possible to project the addition of facilities — and the impact of that competition — at least two years hence. As the Study notes, such facilities are "sufficiently advanced in planning, pre-subscription, and/or construction stages to consider their market entry more a matter of fact than threat." Study at 8 n.10.

⁶⁵ See, e.g., John J. Keller, *AT&T Proposes Fiber-Optics African System*, Wall St. J., Apr. 26, 1994, at A-3. The proposed "Africa ONE" cable system would include 39 landing points in coastal African countries or island nations. Countries located in the continental interior would hook up to Africa ONE via landline, satellite, or microwave links. See also John Holusha, *AT&T Proposes Sea Cable That Would Encircle Africa*, N.Y. Times, Apr. 26, 1994, at D3.

⁶⁶ Once that minimal limitation is gone, of course, separate satellite systems will be free to compete fully with COMSAT in all areas, including those not directly linked to the United States by cable. The oldest of these systems, PanAmSat, has already indicated that it plans to do precisely that. See Study at 54-55, 93, 94 & n. 144.

Besides the competition offered by separate satellite systems and the growth of intra-regional cable systems, COMSAT is held in check in these regions by two other considerations. First, because users' desire for routing diversity has increased the number of cables linking high-volume regions of the globe, several so-called "thin" markets have been integrated along the way as transition points.⁶⁷ Numerous islands in the Atlantic and Pacific have become accessible by trans-oceanic cable systems in this fashion.

Second, areas without easy access to cable are nonetheless benefitting from competition elsewhere by virtue of COMSAT's "geographic rate averaging."⁶⁸ With few exceptions, COMSAT's rates for particular services apply uniformly around the globe, and agreements recently negotiated with the company's largest carrier customers explicitly require further development of this trend. As a result, the high degree of competition in areas easily accessible by cable facilities benefits all users and constrains any power COMSAT might otherwise have to charge excessive rates in areas not directly served by intermodal competition.

**(c) Employment Of Circuit Multiplication
Techniques Will Expand The Capacity
Of Existing Facilities Even Further**

Idle capacity will continue to grow not only because of the building of additional facilities but also because of advances in technology which allow bandwidth to be used more effectively. For example, digital compression makes it possible now to transmit up to five switched voice circuits over the capacity formerly used for one analog circuit. From 1988 to 1993, compression of voice services on AT&T's cables increased from zero to a factor of more than two,⁶⁹ and the rate is expected to improve. Clearly, effective unused capacity on these transmission facilities is increasing accordingly.

For satellites, too, technological advancements are increasing the amount of unused

⁶⁷ *Id.* at 53.

⁶⁸ *See id.* at 99-100.

⁶⁹ *See id.* at 92 n.141.

capacity available through existing facilities. As illustration, PanAmSat in 1991 introduced digital compression and now is able to pack as many as six digital video circuits into the capacity of one analog video circuit. The ramifications are obvious.

2. New Trans-Oceanic Facilities Are Being Constructed At A Rapid Pace

In its *Interexchange Competition Order*, the Commission found that surplus capacity alone was enough to support its finding that high supply elasticity existed in the business services market.⁷⁰ The FCC, however, also focused on whether there were low barriers to entry — deemed another indication of a high level of supply elasticity. The number of new entrants and new facilities now emerging in the trans-oceanic facilities arena demonstrates that the entry barriers to new competition are extremely low.

The current size and projected growth of the market itself are major enticements to competitors. As noted earlier, total traffic in trans-oceanic switched telecommunication services to and from the United States grew at an average annual rate of between 16 to 22% from 1985 to 1992.⁷¹ Demand for video and audio service, which is increasing even more rapidly than demand for voice services, will have grown eighteen-fold within the 10 years from 1986 to 1996.⁷² And as the Commission found in the *Interexchange Competition Order*, rivals in a growing market will invest “considerable capital in expanding their supply capacity” because they are “convinced that they [can] attract substantial numbers of new customers over time.”⁷³ Predictably, then, competitors have been laboring to put new facilities in place to capture new and existing customers.⁷⁴ While demand is growing at a tremendous rate, the rate at which new fiber optic cables and separate satellite system facilities are being deployed to compete for that demand is even more enormous. The

⁷⁰ 6 FCC Rcd at 5888.

⁷¹ For a detailed discussion of market size and growth, see Study at 6-8, Fig. 1.

⁷² *Id.* at 67.

⁷³ 6 FCC Rcd at 5888.

⁷⁴ For details, see *id.* at 54-58.

maps attached to this Petition graphically illustrate the explosion in the sheer number of facilities added between 1988 and 1996.⁷⁵

By the end of 1996, trans-oceanic fiber optic capacity will stand at almost *triple* the 1993 levels. Facilities now under construction include three new trans-Atlantic cables, one new trans-Pacific cable, and three new cable links to the Caribbean and South America. These facilities will be supplemented by new inter-regional links such as that planned between Europe and Southeast Asia — plus the world's first fiber optic cable system encircling the globe.⁷⁶

Capacity of separate satellite systems also will grow. By the end of 1996, at least seven separate system satellites will be operating in the Atlantic region and six separate system satellites will be providing service over the Pacific.⁷⁷ In addition to competing for video and private line customers, these satellite systems inevitably will mount significant challenges for IMTS customers.⁷⁸ Even if each satellite were to provide no more than 1,250 circuits for connection to the PSTN, the resulting combination of 8,750 circuits of switched service in the Atlantic region and 7,500 circuits in the Pacific region is about triple the amount needed to accommodate COMSAT's current level of switched service to geographic areas that are not now easily accessible by cable.

This marketing strategy has not been lost on COMSAT's competitors. Within two years, PanAmSat will be able to provide service to 98% of the world's population, and it has expressly targeted areas not easily accessible by cable — such as Africa — for its new competitive push.⁷⁹ In addition, other separate satellite system competitors, such as Columbia Communications Corporation and Intersputnik, have already gained a foothold

⁷⁵ The maps are appended at Attachment A.

⁷⁶ Study at 54 & n.93; *see also* Doug Abrahms, *AT&T hopes to lasso Africa with sunken fiber-optic cable*, Wash. Times, Apr. 26, 1994, at B7.

⁷⁷ *See* Study at 93.

⁷⁸ For details, *see id.* at 54-58.

⁷⁹ *See id.* at 54-55. But cable facilities, too, are pushing forward to serve those regions. *See, e.g.,* Holusha, *supra* note 65.

in the IMTS and private line marketplace and are likely to expand their current levels of service.⁸⁰

Separate satellite systems also illustrate how customer preferences for long-term service contracts can obscure the fact that brisk competition is actually underway well before market-share statistics would reveal that fact. Trans-oceanic facilities providers compete to attract long-term commitments from large users years before the construction of new facilities is completed.⁸¹ Indeed, in many cases, competition begins at the earliest stage of the process because providers do not go forward with construction plans until signing contracts guaranteeing usage of a significant fraction of the new facility's capacity.⁸² PanAmSat, for example, reported in a recent filing with the Securities and Exchange Commission that approximately 81% of available capacity of its new satellites would be reserved for long-term contracts — leaving only 19% available for intermediate-term (three to five years) business services and *ad hoc* broadcast services.⁸³

Statistical evidence for this competition, however, is available only after the planned facilities come on line and COMSAT's market share abruptly drops. When PanAmSat launched its first satellite in 1988, COMSAT's market share for video and audio service to Latin America fell — in one year's time — from the previous level of 100% to just 50%. This data indicates that the market actually became competitive before 1988, when PanAmSat negotiated its pre-subscription contracts.

⁸⁰ See Study at 56.

⁸¹ The Commission has explicitly recognized that long-term contracts yield significant public interest benefits by providing customers with stabilized rates, facilitating the carriers' planning and investment decisions. See, e.g., *Circuit Distribution Order*, 3 FCC Rcd at 2160-62.

⁸² Construction of fiber optic cables typically does not begin until "pre-subscription" agreements guarantee long-term usage commitments for at least 50 percent of the facility's design ("notional") capacity. For instance, although the TPC-5 fiber cable between the United States and Japan is not scheduled for completion before the end of 1996, at the time the owners applied for Commission authorization two years ago, the cable was already 50 percent pre-subscribed by 44 carriers from 30 countries. And when the Columbus II application was filed in November 1992, about 66 percent of the cable's trans-Atlantic capacity was pre-subscribed — although the facility is not scheduled to commence service until the end of 1994. See Study at 24-25 & n.36.

⁸³ See *id.* at 26 & n.37.

When the impact of forthcoming facilities is considered in conjunction with existing capacity, the total amount of idle capacity available to carry international traffic is staggering. The available capacity of existing facilities today is at least twice the size of the existing nominal capacity.⁸⁴ This estimate undoubtedly understates the true figure, because it does not account for the effect of circuit multiplication techniques. In addition, the plethora of new facilities now under construction will augment current levels of idle capacity. Thus, there can be no doubt that there is "enough readily available capacity to constrain [COMSAT's] market behavior."⁸⁵

B. The Sophistication Of The Customers In The Market Creates High Demand Elasticity

Even more than the users of AT&T's business services, COMSAT's customers in the trans-oceanic facilities marketplace "have both the incentive and ability to evaluate the full range of market options available to them."⁸⁶ The company's customers for fixed satellite services are mainly international common carriers such as AT&T and MCI, large multinational corporations like IBM, and the major television networks. There can be no question that these subscribers (1) undertake sophisticated evaluations of the market, (2) switch service providers and/or facilities modes to obtain savings, and (3) exercise sufficient power to require COMSAT to be responsive in terms of price and service innovations. Thus, the nature and power of COMSAT's customers demonstrate that the trans-oceanic facilities arena is characterized by high demand elasticity.

1. COMSAT's Customers Are Telecommunications Experts

It is difficult to imagine a more knowledgeable group of telecommunications customers than AT&T, MCI, Sprint, the major television networks, and various multinational

⁸⁴ See *id.* at 86, Fig. 21.

⁸⁵ *Interexchange Competition Order*, 6 FCC Rcd at 5888.

⁸⁶ *Id.* at 5887.

corporations. In the *Interexchange Competition Order*, the Commission emphasized that AT&T's business service subscribers were able to employ in-house telecommunications specialists or consultants to help negotiate service terms. By contrast, many of COMSAT's customers have no need to look outside for advice —they themselves *are* the experts in their specific communications fields. Their ability to undertake sophisticated market analysis and cost evaluations equals or exceeds that of anyone.

Notably, the three largest customers, who account for more than 85% of COMSAT's traffic, own the trans-oceanic cables that compete directly with the INTELSAT system.⁸⁷ Cable ownership and the mere size of these users give them both enormous bargaining power and insight into the dynamics of the market.⁸⁸ As discussed above, these cable ownership interests give customers such as AT&T particularly strong incentives to switch facility modes: because the variable costs of using cable facilities are very low compared to these customers' fixed costs, increasing their use of their own cable capacity reduces their average cost per circuit. Given the absence of cable capacity constraints, such competitor/subscribers have clear motivation to prefer cable to satellites.

Consequently, these companies have leverage — and they use it. COMSAT's three major carrier customers have separately negotiated long-term contracts that soon will cut rates for international digital route service to a level equivalent to about 40% of the price charged when the service was introduced.⁸⁹ Put differently, if COMSAT wants to sell its service, it has to be responsive to its customers' price demands.

2. Shifting Market Shares Demonstrate The Willingness Of International Telecommunications Users To Exercise Their Ability To Move Their Traffic

COMSAT's shifting share of business in the trans-oceanic facilities marketplace is

⁸⁷ For details, see Study at 97-99.

⁸⁸ The television networks and large multinational corporations are no less sophisticated and, while they do not own trans-oceanic transmission facilities themselves, they hardly lack for choices.

⁸⁹ See Study at 98-99.

clear evidence that customers are willing and able to switch service providers in order to take advantage of favorable prices and other service terms. With respect to IMTS and private line service, COMSAT's average market share of total global traffic has fallen to about 33% — well below the 50% level that AT&T enjoyed in business services, which the Commission found "not incompatible with a highly competitive market."⁹⁰

In geographic areas easily accessible by cable, COMSAT's share of total IMTS and private line traffic has declined even though the company's traffic has risen.⁹¹ In the European region, COMSAT's share of the market fell from more than 60% in 1988 to slightly less than 25% in 1993. For the same period in the East Asia/Oceania region, COMSAT's share declined from more than 80% to just 26%. Also during those years, COMSAT's market share in the Caribbean fell from more than 66% to less than 50%, and should erode even further once three new cable facilities become operational this year.

Geographic areas not easily accessible by cable (*i.e.*, Latin America and the remainder of the Atlantic and Pacific regions) represent only about 6% of total demand for IMTS and private line service. COMSAT's share of this demand will decrease with the completion of separate satellite facilities and expanded regional cable networks now in the planning stages.⁹² In addition, COMSAT's commitment to "geographic rate averaging" means that these geographic areas will reap the economic benefits of the sharp competition for IMTS and private line traffic present in high-demand areas.⁹³

COMSAT's share of total traffic for video and audio services also is diminishing.⁹⁴ In some regions where the company served 100% of the market in 1987, COMSAT's share has now dropped to less than 50%. The Study projects that, in terms of revenues,

⁹⁰ *Interexchange Competition Order*, 6 FCC Rcd at 5889-90.

⁹¹ For details, *see* Study at 47-50 & Fig. 5.

⁹² For details, *see id.* at 47, 50-55. *See also* Abrahms, *supra* note 76.

⁹³ For a more complete discussion of the benefits of geographic rate averaging, *see* Study at 99-100; *see also supra* at note 68 and accompanying text.

⁹⁴ For details, *see* Study at 66-78.

COMSAT's average worldwide market share will be about 40% by 1995.⁹⁵ Its share of "incremental" demand — the new demand that occurs in a growing market — is expected to be below 40% in two of the three geographic service areas analyzed.⁹⁶

3. Lower Prices And The Introduction Of Additional Services In The International Market Demonstrates The Competitive Nature Of The Market

The rapid introduction of new service options typically accompanied by rate reductions is an obvious indication of a competitive marketplace.⁹⁷ As the FCC has recognized, COMSAT's recent activities have met this criterion. COMSAT has introduced multi-year charges for voice and data circuits and new charges for digital services that, through use of circuit derivation technologies, reduce per-circuit prices "to meet the competitive challenge posed by fiber optic cable."⁹⁸

In addition, COMSAT's rates since 1985 have declined significantly.⁹⁹ For example, COMSAT's monthly rate for digital 2.084 Mbps switched voice service decreased from \$875 per 64-kbps equivalent circuit in 1988 to \$580 last year¹⁰⁰ — and is committed to drop to \$350 per month by 1997. Rates for private line and video services show similar patterns. Charges for certain video and audio service leases have dropped more than 35% in a three-year period: for example, in the late 1980s, global-beam five-year preemptible 36-Mhz video leases fell from \$100,000 per month to \$60,700 per month, and seven-year zone-beam preemptible video leases dropped from \$46,600 per month to \$27,500 per

⁹⁵ *Id.* at 72-73 & Fig. 14. In some regions, Comsat's market share in terms of revenue already is below 20 percent. *Id.* at 66 & Fig. 16.

⁹⁶ *Id.* at Fig. 14.

⁹⁷ *See Interexchange Competition Order*, 6 FCC Rcd at 5889.

⁹⁸ *Circuit Distribution Order*, 3 FCC Rcd at 2161.

⁹⁹ For details, *see Study* at 100-102.

¹⁰⁰ The \$580 figure is a composite of COMSAT's base and growth rate; the figure now in the tariff (\$350) applies only to the lowest tier of service.

month. Further, rates for IBS service fell from \$842 per month to \$585 per month between 1985 and 1990.

COMSAT also has dramatically increased the number and types of services it offers.¹⁰¹ Until 1982, service was available only at one standard monthly rate for analog switched services and one per-minute rate for occasional-use television service. Since 1985, COMSAT has introduced more than twenty new service packages for its IMTS, private line, and video and audio customers; many of these packages responded to customer demands for predictable, long-term service arrangements.

For instance, in January 1992 COMSAT introduced volume discounts through which customers for IDR and TDMA service could benefit from rate reductions of at least 35.7% as certain threshold traffic levels are attained. For video customers, COMSAT's new services include non-preemptible service on the INTELSAT-K satellite, first introduced in August 1991. This service offered introductory pre-launch rates and an optional ramped payment schedule. More recently, COMSAT initiated a specialized service for satellite news-gathering ("SNG"), which allows customers to order video, audio, and private line services as one package.

It is clear that COMSAT's customers understand the nuances of the trans-oceanic telecommunications market and that they can, and do, play competing service providers against one another to obtain the best combination of rates and services to meet their needs. The fluctuations in COMSAT's market shares attest to users' willingness to explore the variety of options now available to them. Consequently, COMSAT has responded to the increasing level of competition by continuing to improve the services and prices it offers.

C. COMSAT Enjoys No Cost Advantages Over Competitors In The Market

In evaluating market competitiveness, the Commission in the past has followed its review of supply and demand elasticity with a scrutiny of cost trends. With respect to

¹⁰¹ For details, see Study at Exhibit HSH-9.

AT&T's provision of business services, the Commission found that, certain "distinct advantages and disadvantages" notwithstanding, AT&T had no cost superiority in comparison to its competitors.¹⁰²

Comparison of costs between international cables and satellites is complicated by the separate costs for land-based transmission of signals. In a given case, cable transmission may have an advantage when the destination or origination is close to a cable landing point, while satellite transmission may be more cost effective in situations where an earth station is closer to the destination. In addition, capacity costs are determined by the type and sophistication of the circuit multiplication techniques employed at any given time on particular media.

Nonetheless, it is safe to say that COMSAT generally enjoys no significant special cost advantage.¹⁰³ Costs for trans-oceanic fiber optic cables have decreased so rapidly that cable capacity costs often are lower than those of satellites.¹⁰⁴ For example, costs per 64 kbps-equivalent circuit for trans-Atlantic fiber optic cable have dropped by approximately two-thirds, from about \$800 per month in 1988 to about \$250 per month in 1993.¹⁰⁵ Direct costs for forthcoming cables are expected to decline as well, to about \$115 per circuit per month in the Atlantic region and about \$170 per circuit per month in the Pacific region. By comparison, direct satellite costs are generally in the range of \$200 to \$400 per month for one 64 kbps-equivalent circuit.¹⁰⁶ While cable costs will continue to fall, costs for forthcoming satellite facilities are expected to remain fairly constant.

¹⁰² *Interexchange Competition Order*, 6 FCC Rcd at 5890.

¹⁰³ *See id.* at 5890-91.

¹⁰⁴ For details, *see* Study at 95-97.

¹⁰⁵ Factors included in the calculation of cable costs are direct costs of construction at 80 percent utilization of capacity over the facility's useful life, plus operating-and-maintenance ("O&M") costs. *See id.* at 96.

¹⁰⁶ Factors included in the calculation of satellite costs are direct costs of two earth stations at 80 percent utilization of capacity over the facility's useful life, plus O&M costs. *See id.*

D. COMSAT Is The Smallest Of The Major Participants In The International Facilities Market

A further factor the FCC uses in determining competitiveness is whether a firm's mere size and access to resources might somehow "preclude the effective functioning of a competitive market."¹⁰⁷ In the case of the domestic business services market, the FCC determined that while AT&T might enjoy certain advantages of size and incumbency — including economies of scale, established relationships, and ready access to capital — the market was nevertheless competitive.

Perhaps because COMSAT has been the pioneer in satellite technology, a perception exists that the company is much larger than it actually is. In fact, COMSAT is dwarfed by its competitors by any standard imaginable: revenues, assets, employees, etc. For example, in 1993 total revenues for COMSAT were only about 1/20th those of MCI and Sprint — and less than 1/110th those of AT&T.¹⁰⁸ COMSAT's assets amount to only about 11% and 2.6% of the assets held by Sprint and AT&T, respectively.¹⁰⁹ Finally, COMSAT's 1,527 employees would not even be noticed at a company picnic of AT&T (308,700 workers) or MCI (36,235 workers).¹¹⁰ No reasonable questions can be raised about whether COMSAT has any advantages of size, scale, or special access to resources that might interfere with the competition in the market. It obviously does not.



¹⁰⁷ *Interexchange Competition Order*, 6 FCC Rcd at 5891-92.

¹⁰⁸ According to each company's annual report, COMSAT's total revenues were \$640 million, MCI's total revenues were \$11.9 billion, Sprint's total revenues were \$11.3 billion, and AT&T's total revenues were \$67.1 billion. COMSAT Corporation 1993 Annual Report at title page; MCI 1993 Annual Report at title page; Sprint 1993 Annual Report at 2; AT&T 1993 Annual Report at title page.

¹⁰⁹ COMSAT had assets of \$1.6 billion, AT&T had assets of \$60.7 billion, and Sprint had assets of \$14.1 billion. COMSAT Corporation 1993 Annual Report at title page; Sprint 1993 Annual Report at 2; AT&T 1993 Annual Report at title page. MCI had assets of \$11.6 billion. MCI 1993 Annual Report at title page.

¹¹⁰ Figures are taken from the title pages of the 1993 annual reports of COMSAT, AT&T, and MCI, respectively. The Sprint 1993 Annual Report stated that the company had "more than 50,000 employees worldwide." *Id.* at 1.

The analysis derived from the Commission's *Interexchange Competition Order* proves that the factors underlying the treatment of COMSAT as a dominant supplier of space segment nearly a decade ago no longer exist.¹¹¹ First, the idle capacity available on cable and separate satellite system competitors is already ample enough to accommodate all of COMSAT's customers, while technological improvements and forthcoming facilities promise to magnify that amount of unused capacity.

Second, COMSAT's customers possess the utmost sophistication about the market — which could hardly be otherwise, given that COMSAT's biggest customers also are direct rivals in the provision of trans-oceanic telecommunications facilities. Market evidence demonstrates that these customers will move to alternatives offering attractive price and service terms, and COMSAT has improved its prices and service options accordingly.

Third, COMSAT enjoys no cost advantages over its rivals. And finally, COMSAT is diminutive in comparison to rivals in the market and thus enjoys no special advantages due to size or resources. Competition in the market is now so vigorous as to completely undermine any market power COMSAT might once have possessed.

IV. REQUEST FOR RELIEF

The symmetry of the Commission's old international carrier-oversight scheme has eroded and the regulatory regime currently applied to COMSAT is not commensurate with its lack of market influence today. Professor Houthakker's study makes clear that the conclusions regarding COMSAT's market power in the Commission's *International Competitive Carrier Order* no longer rest on a sound economic basis. As the Commission had hoped, its policies have transformed the trans-oceanic facilities marketplace into a fiercely competitive arena.

The Study's findings justify a finding by the FCC that COMSAT is no longer a

¹¹¹ As noted above, it already has been generally acknowledged that COMSAT's market power is constrained by the "competitive environment" that exists between fiber optic cables and satellites. *Communications Satellite Corporation*, 7 FCC Rcd 3430, 3433 (1992).

dominant carrier, and that substantial deregulation is warranted. Nevertheless, COMSAT realizes that a rulemaking proceeding to change its carrier classification status to non-dominant would take a lengthy period of time, especially during this time of strained Commission resources. While COMSAT supports such a re-classification, Professor Houthakker's study reveals quite plainly the need for more immediate relief.

Accordingly, this Petition now seeks only a modification of the existing tariff regulations governing COMSAT World Systems' line-of-business services. Current tariff requirements prevent COMSAT from responding quickly and decisively to customer needs, and thus undermine the company's competitive position. Unlike COMSAT, rival suppliers of transmission capacity have either enjoyed substantial relief from these traditional common carrier obligations or have never been subject to such burdens. They are free to entice customers with service packages that can be rapidly implemented without the delays inherent in traditional tariff filings or the uncertainty created by administrative challenges to tariff terms.

COMSAT, on the other hand, faces one of two scenarios when attempting to institute new services. At best, COMSAT must hold customers at bay while it prepares a new tariff and attendant cost justifications, files that material, and then waits for the notice-and-comment period to expire. But often agency approval is further delayed by challenges which, while proving baseless, nonetheless succeed in discouraging potential customers who cannot wait for the regulatory review process to run its course.

The Commission would take a crucial step forward by affording COMSAT the same flexibility its competitors enjoy. Specifically, COMSAT requests authority to file tariffs on fourteen days' notice, with a presumption of lawfulness and with minimal cost support data, for all its INTELSAT common carrier satellite services. Granting this streamlined tariff relief would benefit the public interest now by enhancing the choices available to customers and lay the proper foundation for more comprehensive action in the future.

V. CONCLUSION

Dramatic changes in the last decade have transformed the trans-oceanic telecommunications facilities marketplace. While competition has mushroomed with the introduction of fiber optic cable technology and the launch of separate satellite systems, the regulatory regime adopted for COMSAT nearly ten years ago has not accounted for these developments. As a result, COMSAT has been increasingly hampered by now-outdated restrictions which do not apply to its rivals, and customers have been denied the full benefits of competition.

The Study accompanying this Petition demonstrates that market conditions justify the interim relief COMSAT now seeks. This modification will enhance competition in the trans-oceanic facilities arena by lessening unnecessary regulatory burdens, thus enabling COMSAT to meet its customer demands in a more timely, efficient manner. At the same time, such an action will constitute a significant step toward restoring regulatory balance in the international transmission marketplace. In short, the public interest will be well served by affording COMSAT and the public the benefits of a competitive market now enjoyed by all other providers of trans-oceanic telecommunications facilities.


Respectfully submitted,

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ATTACHMENT A

Figure 1

U.S.-Transoceanic Satellites and Fiber Optic Cables 1988

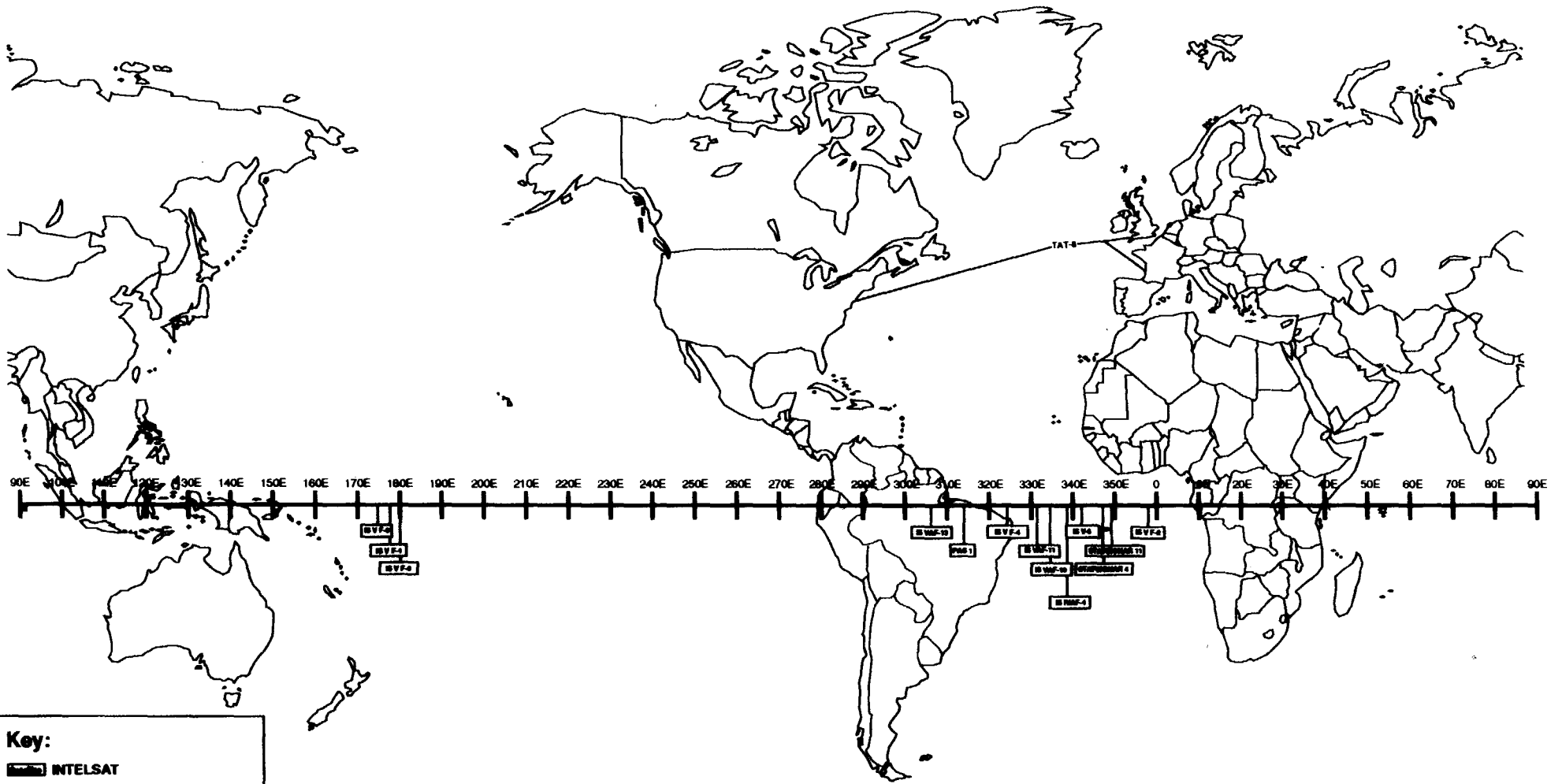
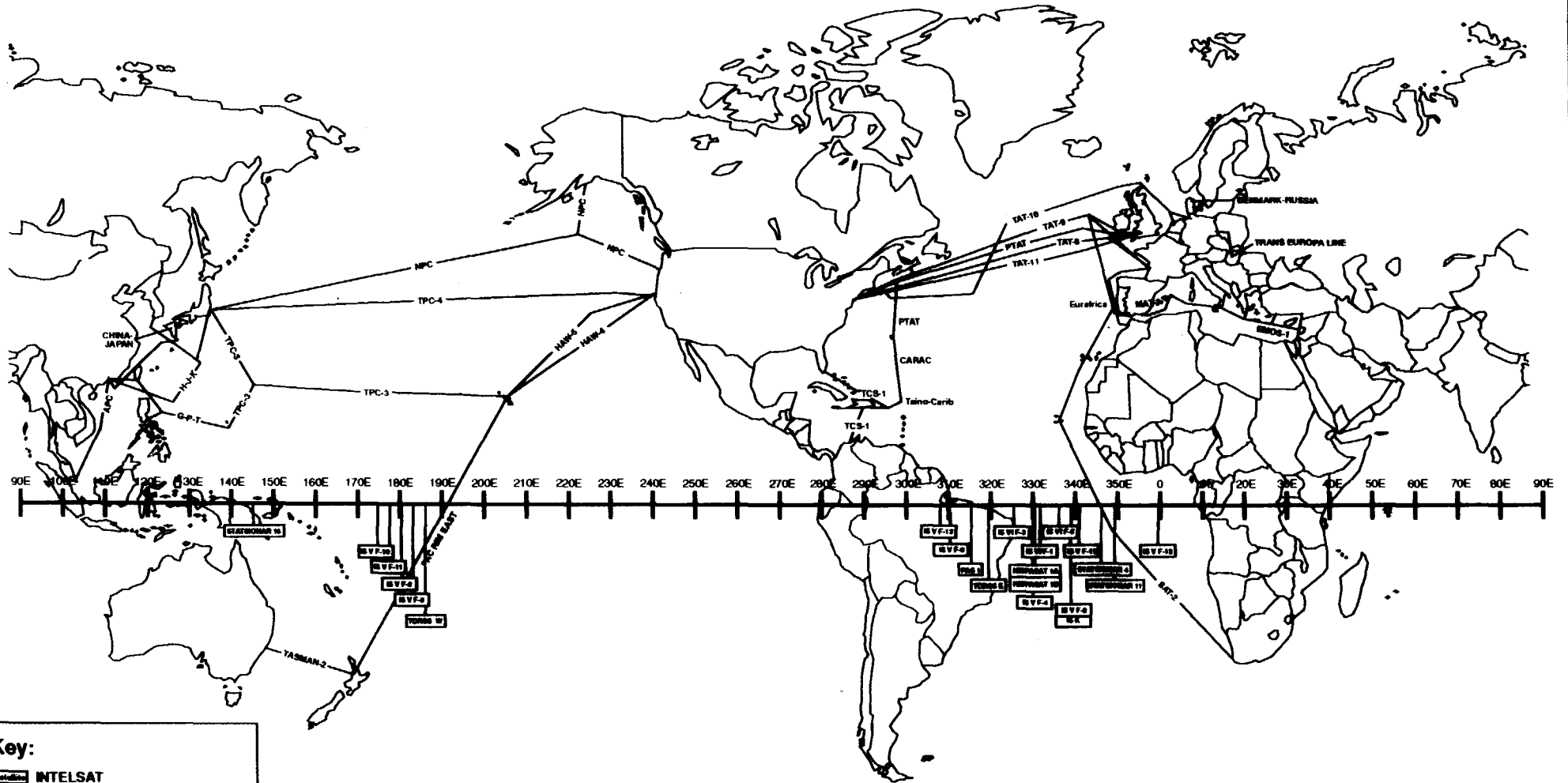
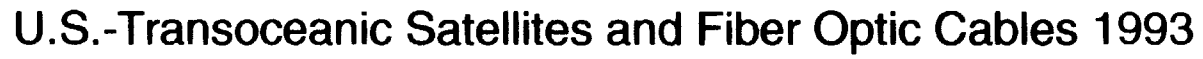


Figure 2



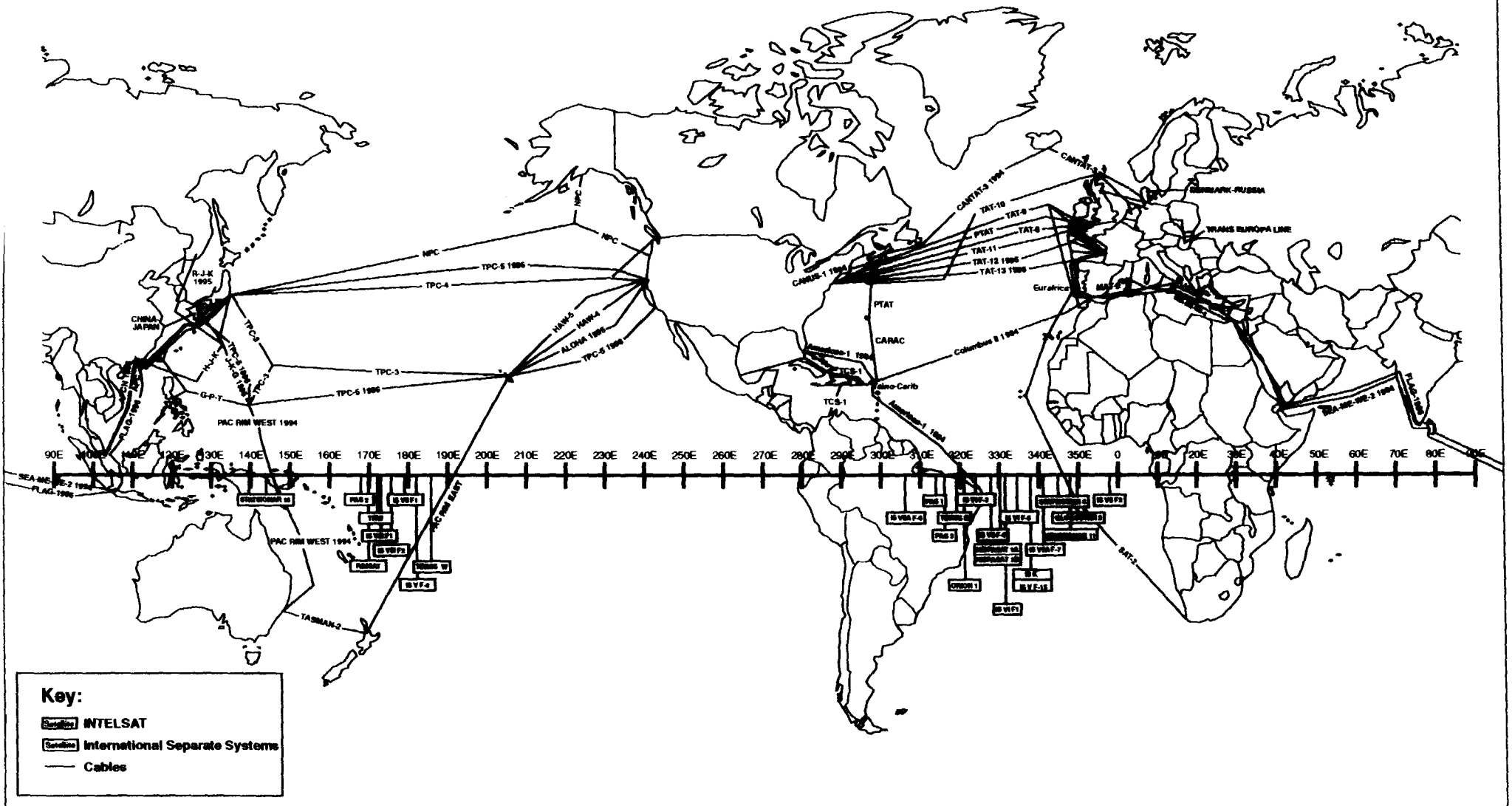
Key:

Satellite INTELSAT**Satellite International Separate Systems**

Existing Fiber Optic Cables

Figure 3

U.S.-Transoceanic Satellites and Fiber Optic Cables 1996



CERTIFICATE OF SERVICE

I, Rosemary C. Harold, certify the copies of the foregoing "PETITION FOR PARTIAL RELIEF" were served by first-class mail, postage prepaid, this 1st day of July, 1994 on the following.

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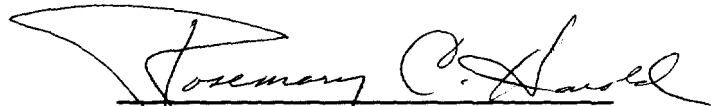
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